

# INTERNAL AUDIT REPORT

To: Ms. Nina Rasmusson, Director,  
*Charter School*

From: Ms. Samantha Brincks, Internal Auditor *Samantha Brincks*

Date: May 25, 2012

Re: **Special Review for FY2012**

## **Introduction:**

The Des Moines Public Charter School opened Tuesday, January 18, 2011, with students in grades 7-8. Beginning with the 2011-2012 school year, students in grades 7-9 are enrolled in the Des Moines Public Charter School. Requirements for charter schools are outlined in Chapter 256F of the Code of Iowa. According to the Code of Iowa, a charter school is exempt from all statutes and rules applicable to a school, a school board, or a school district, except for the specific requirements outlined in 256F.4. The school board, in consultation with the Charter School's advisory council, shall decide matters related to the operation of the Charter School, including budgeting, curriculum, and operating procedures. For financial purposes, the Charter School follows the same Iowa finance law and accounting procedures as the district as a whole, and its financial transactions are incorporated into the public school district records using *Uniform Financial Accounting for Iowa School Districts and AEAs*.

## **Scope:**

On April 5, 2012, Internal Audit performed a routine, unannounced cash visit to the Charter School. Based on initial testing and observations on April 5<sup>th</sup>, Internal Audit expanded the scope and extent of testing from that of a routine cash visit to a more thorough special review. Field work was performed between April 5, 2012, and April 24, 2012. The following procedures were performed in completing the review:

- Obtained an understanding of the organizational structure and functions for the school through discussions with staff.
- Counted cash on hand and discussed internal controls regarding cash on hand with the administrative specialist.
- Reviewed the prenumbered cash receipt books, cash receipt reports, deposit tickets, and IFAS report of receipts and revenues for January 18, 2011, through April 5, 2012.
- Reviewed the monthly department summary reports from IFAS for January 2011, through April 2012.
- Reviewed reimbursements to employees of the Charter School between October 1, 2010, and April 5, 2012.
- Reviewed the list of authorized procurement card holders from the Business and Finance Office.
- Reviewed procurement card transactions and support between the issuance date of April 1, 2011, and April 4, 2012.

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- Reviewed controls over uniform inventory and performed an inventory count to determine an estimate of sales for uniform shirts.
- Reviewed timesheets for office staff from their hire dates beginning in November 2010 through April 2012.
- Scanned transaction detail from IFAS between October 1, 2010, and April 5, 2012, and reviewed a sample of purchases.

**Purpose:**

To determine whether cash receipts were properly recorded and deposited, cash funds were properly maintained, IFAS financial reports were reviewed monthly, accounts had positive balances, whether reimbursements to the staff were proper, whether inventory is properly tracked and safeguarded, and timesheets were submitted and reviewed as required. In addition, to determine whether purchases, including those made with the procurement card, were properly authorized, supported, calculated, classified, and met the test of public purpose.

Internal Audit will also determine whether recommendations from the report issued on March 2, 2012, have been implemented. The recommendations included developing written policies and procedures for monitoring and using technology assets, developing a written agreement for students to sign when they are allowed to take computers off school grounds, performing a complete inventory of technology assets on a regular basis and maintaining the records from the physical count, performing a reconciliation of inventory records maintained by the Charter School to the listing maintained by the district's technology department, and using available resources in an attempt to recover missing technology assets.

**Findings:**

Internal Audit identified several findings during the course of the review. Findings described in this report include the following: failure to comply with cash collection and deposit procedures, failure to track uniform inventory and support uniform sales, failure to support collections for the sale of other items sold, failure to comply with policies for procurement card transactions, failure to comply with purchasing procedures, failure to comply with timesheet requirements, and purchase of questionable or improper items.

**A. Cash Collection and Deposit Procedures**

The Charter School collects money for uniforms, replacement IDs, planners, fund-raisers, and field trips. The administrative specialist is responsible for collecting and depositing the money.

The Financial Accounting Manual from the Business and Finance Office states money should be deposited intact and timely. Deposits must be made at least every five working days or when the site has \$500 on hand in cash and checks. If it is necessary for other employees at the site to collect money, prenumbered receipt books must be used. A log should be maintained to document who receipt books are issued to and the numerical sequence in the book. All receipt books must be returned at the end of the school year.

At the time of collection, all checks and cash should be counted by the administrative specialist in the presence of the payer and before the cash receipt is issued. If this is not possible, the payer should turn in his/her count to the administrative specialist so a reconciliation can be done at a more convenient

time. When submitting money to the administrative specialist, a sponsor cash count form should also be prepared to document the money submitted.

If someone other than the administrative specialist collects money, all money collected must be submitted to the administrative specialist daily to reduce the risk of loss. When money is submitted to the administrative specialist, a prenumbered cash receipt should be issued by the administrative specialist to the employee. On the receipt, the administrative specialist should include the receipt numbers issued by the employee submitting the cash.

The following conditions relating to cash collection and deposits were noted during the review:

- (1) Receipt books are not issued to staff that collect money. When individuals other than the administrative specialist collect money, they use Post-it notes to document who the money is collected from. The money is given to the administrative specialist, who then writes the receipt from the prenumbered receipt book and deposits the money. In addition, sponsor cash count forms are not utilized when submitting money to the administrative specialist for deposit.
- (2) The school does not have a cash box to make change when necessary. Uniforms and replacement IDs are sold and occasions arise where it is necessary to make change. The administrative specialist stated change is given to students from her personal funds if a parent or student needs change.
- (3) Internal Audit counted the cash receipts on hand on April 5, 2012. The locked box where cash receipts are stored contained \$159.24. The administrative specialist stated she is the only one with access to the locked box. No prenumbered receipts were available to support the cash on hand, and the administrative specialist stated she was unsure how much was on hand, how much was supposed to be on hand, who the money was collected from, or when the cash was collected. She further stated the money could have been there for several months. Upon further inquiry, Internal Audit was informed by the administrative specialist that all of the money was from uniform sales. This did not appear reasonable to Internal Audit as the prices stated on the uniform order forms are for even dollar amounts. It does not appear reasonable that there would be an odd amount on hand for collections. Upon further inquiry, Internal Audit was informed by the administrative specialist that personal funds are comingled with cash receipts. She further stated that the \$4.24 in change was not from uniform sales, but rather money donated by her and other staff which is given to students when they need money for the bus. Again, this does not appear reasonable since temporary bus passes are available if a student loses their ID containing the DART emblem which allows them to ride the bus free of charge.
- (4) One prenumbered cash receipt issued by the administrative specialist on February 6, 2012, for \$36.00 could not be traced to a corresponding deposit. The administrative specialist was unable to provide an explanation for the lack of a corresponding deposit. As of April 13, 2012, the money was still missing and is included in Exhibit A as an undeposited receipt.
- (5) Twenty-five receipts were reviewed by Internal Audit during the review. Five of the receipts reviewed were not deposited timely (i.e. within five working days). These items were deposited between 20 and 35 days after receipt.
- (6) Many of the receipts written by the administrative specialist included a description stating they were for the sale of uniforms. No supporting documentation was available, such as uniform order forms, to support how many shirts were sold and the price charged.

- (7) Documentation is not submitted to the business office for posting receipts to IFAS timely. In one case, a deposit from July 29, 2011, was not recorded in IFAS until approximately four months later on November 23, 2011.
- (8) During the review of cash receipt reports, receipts for \$5 were coded as uniform sales. Since the uniform order form lists no item sold for less than \$6, further inquiry confirmed more than \$184 was improperly recorded by the administrative specialist as uniform sales when it was actually money collected for field trips.
- (9) A fund-raiser was held during October for Breast Cancer Awareness month for the Susan G. Komen foundation. Students were allowed to pay \$1 to wear jeans and \$1 to wear a pink shirt on October 19, 2011. The administrative specialist stated she collected money from students, gave them pink ribbons, and recorded their names on a log. The money was kept in an envelope which was provided to the parents in charge of organizing the fund-raiser. The administrative specialist was unable to provide the log or any other documentation to indicate how much was collected for the donation. She was not aware of a reason to keep a record so the log would have been destroyed after the fund-raiser. There is no record to document how much was collected during the fund-raiser and how much was submitted to the parents for the donation to the Susan G. Komen foundation. The procedures in the Financial Accounting Manual regarding fund-raising were not properly followed.
- (10) Order forms for sweatpants, flannel pants, hooded sweatshirts, and jackets were distributed by email to parents, students, and staff of the Charter School from the administrative specialist. These items are separate from the uniform inventory sold by the Charter School. The order form stated these items could be ordered through November 18, 2011, with items available by December 16, 2011. The parent organization was supposed to be in charge of the sale of these items and the payments to the vendor; however, the administrative specialist stated she collected order forms and money and passed them on to the parent organization. The administrative specialist further stated she is unable to provide a record of collections she accepted because support was not maintained due to the fact that the parents were in charge of the sales. There is no record available at the Charter School to document how much was collected by the administrative specialist from the sale of these items and how much was submitted to the parents for the payment to the vendor. The procedures in the Financial Accounting Manual were not properly followed.

**Recommendation** – The school should review the Financial Accounting Manual and comply with the stated requirements for cash collection and deposit and implement the following recommendations:

1. Issue receipt books to all staff that will collect money. A log of receipt books checked out should be maintained, and the log should document the sequence of prenumbered receipts.
2. The school should evaluate their need for a cash box. If it is determined that a cash box could be beneficial, the school should contact the cash management accountant for the district to request a cash box to be used for making change when necessary and follow required procedures.
3. Personal funds should not be comingled with cash receipts collected by the school.
4. Uniform order forms should be maintained to support the receipt of money for the sale of uniforms. The receipt number should be indicated at the top of the order form to cancel the order form and indicate the sale has been completed.
5. The validated deposit slips should be attached to the cash receipts report and these items should be sent to the business office cashier the day of the deposit.

6. The school should work with the business office to determine whether a journal entry is necessary to correct funds that have been incorrectly coded.
7. The Financial Accounting Manual states the collection of money and payment of expenses for fund-raising activity should follow existing cash collection and disbursement procedures. The bookkeeper (the administrative specialist at the Charter School is the school's bookkeeper) should account for the money from fund-raisers once it is received and ensure it is deposited within the guidelines.
8. If an activity is to be the responsibility of the parent organization, staff at the school should not be responsible for collecting money.

**School Response –**

Although the Charter School is autonomous from the Des Moines School District, the school is still part of the district. In hindsight, there should have been a variety of services and trainings that should have taken place but did not. As the Director, I was not assigned a mentor, did not receive any training from the Central Office staff and often had to learn things “the hard way”. The same can be said for the Administrative specialist position. After she began, she did not receive any training from the human relations department nor the accounting department. The accountant that was assigned to work with the school was very helpful but did not always anticipate our needs. There is no blame to be placed; it is something that can happen when you start something for the first time. The school was over-promised and understaffed and many duties fell on the shoulders of the director and administrative specialist that were not anticipated. For instance, there was not a day-time custodian so we took care of any building issues during the day. There were no food service workers so we served lunch, cleaned the cafeteria, and supervised the students. We did not have any forms to use or policies to follow and could barely keep ahead of ourselves. It was always “just in time” delivery. There were 2.5 weeks between the end of the first year and the beginning of the next. The Director and administrative specialist were in charge of finishing the move to the Walker Street Buildings, ordering supplies, getting furniture from the warehouse, getting internet access, phones, bell schedules, recruit students, contact prospective families, etc. During that 2.5 week period, the district was closed for the Fourth of July, and the administrative specialist's computer user was accidentally removed by the Des Moines IT department. All documents, forms, etc, once created were gone. All manuals that were sent, other instructions were deleted. Due to technical problems at the Walker Buildings, both of our computers had to be reimaged.

As for the corrective action,

1. Only the office manager will be allowed to collect money. Receipt books will not have to be issued to anyone else.
2. The administrative specialist was informed we didn't need a cash box because we did not have fees because we were a free school. The forms for a cash box have been filled out and it will be ordered and will be used to separate school and personal money.
3. Temporary bus passes have not always been available so cash has been used so students don't miss their busses. We will continue to work with DART to have a supply of temporary passes on hand.
4. The \$36 will be repaid to the school.
5. Any cash taken in will be deposited within the specified time.
6. Uniform order forms will be kept so that we have a record of the sizes of shirts given out as well as the number of shirts.
7. Documents will be posted in a timely fashion. It is possible the information related to the late deposit was misplaced during the move from downtown to the Walker Buildings.

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8. Because people other than the administrative specialist would be given money for items, it was not always documented correctly. If the administrative specialist is the only person taking money, there should not be an issue with this.
9. The administrative specialist and director were not aware of the rules governing fundraising and will follow the recommendations in the Financial Accounting Manual. It was not until after the event that the accountant made suggestions as to how the money should have been handled. For future events, the administrative specialist will work closely with the business and finance department.
10. Again, the manual will be followed when working with parents.

**Internal Audit Comment** – Internal Audit was provided a calendar of training meetings which occurred between staff at the Charter School, including the director and the administrative specialist and a liaison from the Business Office. The Business Office liaison was at the Charter School on ten separate occasions for face to face trainings and meetings between November 2010 and March 2012. The liaison was also available for questions through phone calls and email. In addition, a training session was also attended by the director and the administrative specialist for instruction and information on requirements of the P-Card program.

Ongoing training is also offered through quarterly meetings for elementary and middle schools office managers. Attendance records for each of the quarterly meetings offered to the administrative specialist since employed indicate the administrative specialist attended two of six meetings. For meetings not attended, the information packets were distributed to the administrative specialist through the district's bag mail. While some of the topics discussed at the meetings may not always apply to the Charter School, some information would be pertinent such as review of purchasing policies and procedures, timesheets and comp-time policies and procedures, payroll updates, and other updates from the Business Office.

The Financial Accounting Manual is provided to all office managers and can be accessed by all district employees through SharePoint. The findings listed above could have been avoided if staff reviewed the Financial Accounting Manual and complied with the procedures described or contacted business office staff with questions.

The need for a cash box should have been apparent once uniforms were available for sale by the school, which created a need for making change on a regular basis. The forms for requesting change funds are available through SharePoint and the procedures for requesting a cash box are described in the Financial Accounting Manual.

Even though it is indicated that the missing \$36 will be repaid, the director of the Charter School should attempt to determine the cause and assess the need for additional internal controls.

The director's assurance that procedures will be followed is accepted.

## **B. Uniform Inventory**

Students are required to wear uniforms consisting of black pants and one of the approved uniform shirts with the Des Moines Public Charter School logo. Each student is provided with one pair of black pants at no cost. The director stated that students are also provided with one sweatshirt, one long-sleeved polo, and one short-sleeved polo free of charge. Beginning in the 2011-2012 school year, students were also provided one T-shirt free of charge. According to the director, students are provided free shirts regardless of how long they are enrolled; therefore, a student may receive the items even if they were only enrolled for one day. The school attempts to collect free uniforms distributed if a

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student drops from enrollment at the Charter School but are not always successful at recovering the items. Uniform shirts that are returned are put in the cabinet with the used inventory to be provided to students on a temporary basis.

Students may purchase additional uniform shirts at the following prices:

| Youth Sizes               | Adult Sizes                    |
|---------------------------|--------------------------------|
| \$12 – Short-Sleeved Polo | \$16 – Short-Sleeved Polo      |
| \$13 – Long Sleeved Polo  | \$17 – Long Sleeved Polo       |
| \$15 – Sweatshirt         | \$18 – Sweatshirt              |
|                           | \$6 – PE Short-Sleeved T-Shirt |

The Charter School maintains an inventory of uniforms available for sale and for new students. The following conditions relating to inventory were noted during the review:

- (1) There is no tracking of uniform sales by the administrative specialist; therefore, there is no reconciliation of cash collected from the sale of uniforms to deposits.
- (2) Uniform order forms are not used and maintained. There is no support which documents the amount and type of uniforms sold and the price charged. The administrative specialist stated the order forms were not available for review by Internal Audit because they are not used for every uniform sale. The order forms she did receive were either lost in the move during the summer of 2011 or they may have been shredded.
- (3) Uniforms are not properly safeguarded. Uniforms are kept in two cabinets, one in the main office and one in the director's office. Cabinets are not locked and access is not restricted. Used shirts are also kept in the cabinet in the main office for students to borrow; they are not sold. When a student borrows a shirt, they are supposed to take a used shirt and write their name on the board next to the cabinet. When the student returns the shirt they are supposed to erase their name from the board. Internal Audit observed one occurrence where a student entered the office, removed a sweatshirt from the cabinet and left the room. The student did not request permission to remove a shirt from the inventory, and the student did not follow the check-out procedures. At the time, staff in the office were busy assisting other students. Internal Audit immediately addressed this with the director, who stated this is unlikely to occur because the office is rarely left unattended. Internal Audit observed several instances during the visits where the main office was unattended by the administrative specialist or any other staff member. For example, because the administrative specialist was not reporting to work until after the first class began, instances occurred where other staff had to leave the office to perform the administrative specialist's duties such as lunch counts and attendance which left the office unattended. In addition, Internal Audit observed several instances during the visits when the director's office, where the second cabinet was located, was unattended while students were present.
- (4) Internal Audit performed an inventory count to determine the reasonableness of uniform sales recorded. See Exhibit B for calculation. The administrative specialist is responsible for compiling statistics and reports and monitoring inventories. No reports were available and no record was maintained to document how many free shirts were given out to staff and students. Internal Audit used enrollment records to determine how many students were enrolled during each of the school years in order to determine how many free shirts were distributed. Estimates were developed for the number of teachers and staff receiving free shirts based on discussions

with staff and lists of teachers during each year. All uniform inventory on hand was counted by Internal Audit. These numbers were then used to calculate an estimate of sales which should have been recorded. Internal Audit used an average of prices for youth and adult shirts to determine the sales estimate. Internal Audit determined there appears to be a shortage of recorded sales in an amount exceeding \$700. Due to improper safeguarding of inventory, Internal Audit is not able to determine what caused the shortage.

**Recommendation** – The inventory of uniforms should be properly safeguarded and access should be restricted. The school should develop procedures to account for the sale of uniforms and a reconciliation of uniform sales performed by someone other than the person collecting money. The reconciliation should ensure all money collected is deposited.

**School Response** – Uniform requirements changed from last year to this year. Students were given three shirts last year and four this year. Students were also given one pair of black pants this year. Some of the issues listed have to do with the staffing of the school and the facilities. In a typical school office, students would be restricted in their movement in and out of the office. There would be more controlled storage space. As it is now, both offices are used for student detention, in-school suspension, counseling, and nurse's facilities for sick students, along with everything else that goes on in an office complex. Unfortunately, we do not have separate rooms designated for each activity rather they are all in two big open classrooms. Because the school is actually using four separate buildings for the classrooms and cafeteria, it is not uncommon for the director and/or administrative specialist to have to walk to another building to deliver something, escort a student, supervise lunch, etc. Unfortunately, that means the office may not be supervised at all times. As far as the shortage of sales or low inventory, we had many students who attended the school for a day, a week or more and were given shirts but did not return them when they returned to their home school. Attempts were made to recover the uniforms but were not always successful.

As stated earlier, uniform order forms will be kept to document the sale of the shirts as well as a list of shirts given to each student. In the future, the director will reconcile the money from the uniform sales. Students have been instructed not to get into the cabinets without permission and keys will be ordered for the cabinets so they can be locked. The inventory should be reduced as new students will be given the shirts in the cabinets with few needing to be ordered.

**Internal Audit Comment** – The Internal Auditor's reconciliation of uniforms accounted for all students enrolled, including those enrolled for only one day, establishing the minimum loss at \$700. The response provided by the school does not explain the shortage of recorded sales. Until locks are installed and all assets are safeguarded, the risk for loss continues.

### **C. Sale of Replacement IDs and Planners**

Students are required to have a student ID in their possession. This ID also serves as the student's bus pass. The first ID is provided free of charge. If a student needs a replacement ID, they can purchase one for a charge of \$3. Students are provided one free planner and may purchase additional or replacement planners. The administrative specialist is responsible for collecting money from the sale of replacement IDs and planners.

The following conditions relating to the sale of replacement IDs and planners were noted during the review:

- (1) The administrative specialist stated she was not sure how much was charged for planners and did not maintain a record of sales of IDs or planners; therefore, Internal Audit cannot determine



whether the amount recorded by the administrative specialist for replacement IDs or planners is reasonable.

- (2) There is no tracking of the sale of replacement IDs or planners; therefore, there is no reconciliation of cash collected to the money deposited.

**Recommendation** – The district’s Financial Accounting Manual provides guidance on how to account for the sale of supplies. It is recommended that a tally sheet is created for each type of supply sold. A student should sign the appropriate tally sheet for the items purchased. Each time collections are deposited, the number of items sold should be reconciled to the dollar amount collected by an individual not responsible for the sale of supplies.

**School Response** – To the director’s knowledge, planners were not sold to students but each student received one. A tally sheet will be developed to keep track of supplies sold to students and the items sold will be reconciled to the dollar amount. The director of the school will be responsible for the reconciliation.

**Internal Audit Comment** – Based on the descriptions of receipts recorded in the district’s accounting system, money was recorded for the sale of planners, replacement IDs, and uniforms on a routine basis in the prior school year. The director is required to review monthly IFAS accounting reports which include a listing of expenditures and a description of the items sold for each deposit. By signing the reports, the director confirms review and knowledge of such transactions. The director’s statement of corrective actions is accepted.

#### **D. Procurement Card Purchases**

The administrative specialist is the only authorized procurement card (P-card) holder at the Charter School. There have been 46 P-card transactions totaling \$4,818.48 between April 1, 2011, and April 4, 2012.

The following conditions relating to P-card transactions were noted during the review:

- (1) One purchase was supported only by a credit card receipt. An itemized receipt was not available for a purchase of \$15.97 at Dominos for a student reward. The transaction occurred at 11:10 a.m. on April 25, 2011.
- (2) A receipt for a meal purchased at Subway in Windsor Heights for \$12.40 was a personal charge on the P-card by the administrative specialist. The transaction occurred at 8:54 p.m. on July 11, 2011. There was no evidence of a reimbursement to the account for the personal charge at the time of review by Internal Audit on April 12, 2012. Further, the administrative specialist stated she is aware of the personal charge and has been aware of it since it occurred in July 2011. This is included in Exhibit A as an improper disbursement.
- (3) A receipt from Office Depot included a charge of \$1.79 for Sprite at 6:30 p.m. on April 20, 2011. The administrative specialist could not provide an explanation for the charge which appears to be a personal purchase. This is included in Exhibit A as an improper disbursement.
- (4) A credit was issued from Wal-Mart for \$63.47 on September 10, 2011. The itemized receipt to support this transaction was not available during the review of P-cards by Internal Audit. The initial purchase occurred on August 29, 2011.

- (5) A charge from Barnes and Noble for \$21.68 on December 27, 2011, was not supported by an itemized receipt. Upon further inquiry, the administrative specialist stated the tax exempt information was not provided to the vendor so the school was charged sales tax on the transaction. Tax in the amount of \$1.23 is included in Exhibit A as an improper disbursement.

**Recommendation** – The school should review the Procurement Card Handbook and comply with the requirements of the P-card program. Itemized receipts should be maintained to support every P-card transaction. All receipts should be reviewed by the reconciler and approver to ensure no personal charges are made on the card and sales tax is not charged. The administrative specialist should reimburse the account for the amount of personal charges to the card. The P-card should not be used for any personal purchases and if they occur, reimbursement should be done in a timely manner.

**School Response** – The pizza was purchased as a reward for students. A duplicate receipt was obtained from Dominos. The time of sale coincided with the approximate time students ate lunch last year. The Sprite listed in number three was part of a purchase made for students in class. The money for the meal in #2 has been reimbursed. Rather than paying cash, the director wrote the check for the administrative specialist as she did not have a check and there needed to be a paper trail. In the future, all itemized receipts will be requested and kept and the Procurement Card Handbook will be reviewed for proper usage, etc.

**Internal Audit Comment** – When items are purchased which appear to be questionable, such as the Sprite, a description and reason for the purchase should be documented with the monthly support for procurement card purchases. Response to follow P-card requirements accepted.

#### **E. Purchases**

The administrative specialist is responsible for preparing purchase orders which are to be approved by the director. Purchases should be supported by adequate documentation.

The following conditions relating to purchases were noted during the review:

- (1) An invoice dated March 2, 2011, from Office Depot indicated 90 Ativa 4GB flash drives were purchased at \$14.09 each for a total cost of \$1,268.10. Both the administrative specialist and the director stated that these flash drives were provided to students and staff; however, no support was available to indicate to whom the flash drives were given. Staff could not provide a written policy which indicated whether the flash drives were considered to be property of the Charter School or gifts to students and staff that were not expected to be returned. The director stated Internal Audit could not observe the inventory of flash drives which cost more than \$1,200 because there was no inventory to observe.
- (2) At the time of the purchase, only 64 students were enrolled at the school, which would indicate a surplus of 26 flash drives. The administrative specialist and the director stated the surplus of flash drives after staff and teachers were provided one, was used for student replacements. Both the administrative specialist and the director stated to Internal Audit that no fee was charged for the replacement flash drives and no support was available to indicate which students received replacement flash drives.
- (3) Items were purchased out of the general fund which appear to be questionable. The Financial Accounting Manual states that public funds may only be spent for public benefit. In general, district funds must be spent prudently and are prohibited from being expended on items that are

above and beyond normal school duties. The following items reviewed do not appear to meet this requirement:

- A transaction occurred on October 13, 2011, at 8:52 a.m. for \$42.15 at Wal-Mart. The items purchased were for a birthday party for the director. Items purchased included a cheesecake, fresh floral arrangement, plates, and a birthday card. Internal Audit did not locate a corresponding deposit to the account to reimburse the district for these items. The administrative specialist purchased these items using the procurement card and stated she did not collect money from other staff to pay for the cost of the birthday party. The birthday party was not open to the public, had no public benefit, and was beyond normal school duties; therefore Internal Audit considers this an inappropriate expense. This is included in Exhibit A as an improper disbursement.
- A payment of \$725 was made on September 6, 2011, for 145 tickets to the August 10, 2011, Iowa Cubs baseball game. The director stated that the ticket expense for chaperones and parents attending the trip was reimbursed by the parents. Internal Audit observed cash receipts which appeared to be for the reimbursement of tickets; however, the description on the cash receipts report listed student collections for uniforms. Due to the lack of available records, Internal Audit is unable to determine how much of the expense was reimbursed and deposited. Further, the director and the administrative specialist stated these items were to be purchased from Title I parent activity funds and a journal entry would be submitted to move the expenditure to the correct account. As of April 24, 2012, this entry has not yet been requested.

**Recommendation** – The school should track inventory. A policy should be developed to determine the ownership of items purchased for use by staff and students. If the school intends to provide supplies to students as “gifts,” this should be properly documented. Further, a policy should be developed to document who will incur the cost of replacement items. If the school provides items to staff and students, whether as gifts or for temporary use, a list should be maintained to document who received the items. Purchases which do not meet the test of public purpose should not be paid for with district funds. Account activity should be reviewed monthly to ensure timely discovery of errors to the accounting activity. If an error is noted, the business office should be notified in a timely manner in order to make necessary corrections.

**School Response** – Last year, flash drives were purchased for students and faculty to use. On the rare occasion that a student lost theirs, or it was damaged, students were provided an additional drive. In addition, there may have been students who enrolled at the Charter School after that date who would have received a flash drive. As a start-up, we were unaware that an inventory needed to be kept and unaware of the process for that. Now that we know, corrections will be made to the procedures at the school. The Project Manager was in charge of developing policies which were not completed at that time. The recommendation will be made to include that in policies that are being developed. The I-cubs tickets will not be reimbursed through Title funds. Part of the purpose of the Charter School is to give disadvantaged youth an opportunity to experience life in the city of Des Moines. Money is budgeted for entry fees into places such as the Science Center, Zoo, Civic Center, etc. Whenever possible, a lesson on careers is incorporated into field experiences taken at the school. There was a presentation before the game by an I-Cubs staff member on careers associated with the baseball industry.

**Internal Audit Comment** – The school should maintain adequate support to document purchases, distribution, and inventory. If activity fees are paid for events such as I-Cubs games, a list should be

maintained to document which students, parents, staff, and others participated and the reason for the activity. Documentation for the educational benefit to students for the I-Cubs tickets has not been provided. Without documentation to confirm the educational component for the I-Cubs expense, it cannot be deducted from an educational account. There is no corrective action to address the inappropriate expense for a birthday party. The director's statements to track inventory, have a policy created regarding student materials and their replacement, and documenting field trips are appropriate to the mission of the school and are accepted.

#### **F. Reimbursement to Employees**

It is common for employees to incur work-related charges. A reimbursement request is filled out by the employee and approved by a supervisor before the reimbursement can be processed. The director of the Charter School received \$7,611.48 in reimbursements between October 1, 2010, and April 5, 2012.

The following conditions relating to employee reimbursements were noted during the review:

- (1) One reimbursement to the director for \$25.00 was not properly approved by a supervisor.
- (2) Based on the items reviewed, the reimbursements to the director were for allowable expenses; however, the school did not follow the district's procedures for purchases. Purchases for items such as desks, office supplies, and equipment should be made through the district's purchasing department to receive the best prices available to the district.

**Recommendation** – School staff should obtain the required approval from a supervisor for reimbursement requests and follow the district purchasing procedures.

**School Response** – In order to get the school up and running, purchases often needed to be made within a short window of time. The turn-around time on purchases made within the district would not have allowed us to have the supplies when needed. In order to have classroom supplies, instructional materials, etc. the director would purchase them using her credit card and would be reimbursed by the school. As a start-up, it was difficult to anticipate the needs of the teachers as they were developing all new curriculum for their classes. Ending a year and beginning a year in 2.5 weeks did not allow time to follow the purchasing timelines. Any furniture that was used at the Charter School was delivered from the inventory of used furniture at the district warehouse or was purchased from the Iowa Prison Industries using Charter Foundation money. This is where much of the furniture for the Des Moines system is purchased and the Charter School was given the pricing for the Des Moines schools. Now that the school has been running for a year and a half, the staff can better anticipate their needs for materials and instructional supplies and should be able to follow the ordering procedures of the district.

**Internal Audit Comment** – Response accepted.

#### **G. Timesheets**

Non-exempt individuals are required to submit timesheets for each biweekly pay period. The timesheets are to be reviewed and signed by the immediate supervisor to indicate approval. Time recorded on the timesheets should reflect actual time worked by the individual. For example, if an employee reports to work late, this should be reflected in the time reported on the timesheet. The administrative specialist uses approved timesheets to prepare biweekly payroll reports in order to summarize employee absences. The biweekly payroll reports are reviewed and approved by the director before the reports are submitted to the district's payroll department for processing.

The following conditions relating to timesheets were noted during the review:

- (1) Timesheets for the administrative specialist were not readily available when requested by Internal Audit on April 6, 2012. The administrative specialist stated she took her timesheets home and would not be able to provide them for review by Internal Audit until the following week.
- (2) Timesheets for the administrative specialist were provided on April 10, 2012; however, no timesheets were produced for the period from June 4, 2011, through August 12, 2011. The timesheet for the pay period ending June 17, 2011, was subsequently produced by the administrative specialist on April 17, 2012, but it was only signed by the employee and was not signed by the director to indicate review and approval by the immediate supervisor.
- (3) The timesheet for the administrative specialist for the pay period ending May 20, 2011, was not signed by the director to indicate review and approval by the immediate supervisor.
- (4) Timesheets are maintained by the administrative specialist after they have been submitted for processing. The administrative specialist was unable to produce the timesheet for one office staff person for the pay period ending March 16, 2012. The administrative specialist was unable to provide a reasonable explanation for the missing timesheet when Internal Audit inquired about it on April 10, 2012. The administrative specialist contacted Internal Audit on April 16, 2012, and stated that she had located the missing timesheets. She stated she had forgotten to check the binder where copies of timesheets are also maintained. Originally, she had only checked the employee folders. The timesheet for the pay period ending March 16, 2012, was subsequently produced by the administrative specialist on April 17, 2012, but it was only signed by the employee and was not signed by the director to indicate review and approval by the immediate supervisor.
- (5) The timesheet for the administrative specialist for the two week pay period ending January 27, 2012, appears to be inaccurate. The administrative specialist reported working on Saturday, January 21, 2012, and Sunday, January 22, 2012, from 8:30 to 11:00 a.m. and 11:30 to 4:30 p.m. The timesheet was signed by both the administrative specialist and the director. It appears the hours for Saturday and Sunday were in error and should have been discovered by either the employee or the director prior to approval. No additional compensation was received since the individual is not an hourly employee and no comp time was accrued.
- (6) Leave time is not accurately reported to the Payroll Department on the biweekly payroll sheet for the administrative specialist. Internal Audit observed an email record stating the administrative specialist was absent from work the entire day of March 5, 2012. The timesheet for the administrative specialist stated she was at work from 8:30 to 12:30 and used 3.5 hours of comp time for the rest of the day. Further, the biweekly payroll report does not indicate any time off for the administrative specialist on March 5, 2012. Based on the email record, it does not appear leave time is accurately reported on timesheets and to the Payroll Department for the administrative specialist.
- (7) The administrative specialist provided her timesheet to Internal Audit for the pay period ending April 20, 2012. Signatures on the timesheet by both the employee and director confirm their agreement that the information shown on the timesheet is complete and correct. The administrative specialist reported working on April 17, 2012, from 8:45 a.m. to 5:30 p.m., accumulating .75 hours of comp time. Since Internal Audit was unable to reach anyone at the

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Charter School the afternoon of April 17, 2012, a check was made to determine if the administrative specialist was out of the building to attend the district wide office manager meeting from 2-4 p.m. It was confirmed that she did not attend the meeting. Upon inquiry by Internal Audit, the administrative specialist stated she was not at work that afternoon because of car problems and was in the process of submitting a revised timesheet to reflect the correct hours. The revised timesheet was reviewed by Internal Audit. The adjustment was made to reflect hours worked on April 17, 2012, to show 8:45 a.m. to 2:00 p.m. with 2.25 hours of comp time used.

- (8) Review of timesheets for the administrative specialist during the 2011-2012 school year indicates a regular start time of 8:30 a.m. Of the timesheets provided to Internal Audit, every day reported as worked by the administrative specialist between January 17, 2011, and April 6, 2012, indicated a start time of 8:30 a.m. other than four days. Based on this, it appears the work day is to begin at 8:30 a.m. Internal Audit observed arrival times by the administrative specialist on days present during the review. The times recorded by Internal Audit were compared with the times reported as arrival times on the timesheet submitted for the pay period ending April 20, 2012. Internal Audit recorded the following arrival times of the administrative specialist during days Internal Audit was present for the review:

|                           | Time in as reported on timesheet | Comp Time Earned (Used) per timesheet | Time of arrival as observed by Internal Audit |
|---------------------------|----------------------------------|---------------------------------------|---|
| Monday, April 9, 2012     | Personal Day                     |                                       | Personal Day                                  |
| Tuesday, April 10, 2012   | 9:45 – 5:30                      | (.25)                                 | 9:45 a.m.                                     |
| Wednesday, April 11, 2012 | 8:45 – 4:45                      |                                       | No observation by Internal Audit              |
| Thursday, April 12, 2012  | 8:45 – 5:30                      | .75                                   | 8:55 a.m.                                     |
| Friday, April 13, 2012    | 8:45 – 4:45                      |                                       | 8:51 a.m.                                     |
| Monday, April 16, 2012    | 8:45 – 6:15                      | 1.5                                   | No observation by Internal Audit              |
| Tuesday, April 17, 2012   | 8:45 – 5:30                      | .75                                   | 8:55 a.m.                                     |
| Wednesday, April 18, 2012 | 8:45 – 4:00                      | (.75)                                 | No observation by Internal Audit              |
| Thursday, April 19, 2012  | 8:45 – 4:45                      |                                       | 8:57 a.m.                                     |
| Friday, April 20, 2012    | 8:30 – 4:30                      |                                       | No observation by Internal Audit              |

Based on the information reported above, the administrative specialist is not reporting her time worked accurately on her timesheets. Due to the lack of available records relating to comp time for the administrative specialist, Internal Audit was unable to determine whether any improper distributions were made relating to payroll.

**Recommendation** – The administrative specialist should immediately notify the director of all absences, complete timesheets to reflect actual times of work and lunch periods, and ensure absences are included on the biweekly payroll report submitted to the Payroll Department. The director should keep track of reported absences and compare them with information reported on timesheets and payroll reports. Staff should review reporting requirements and consequences of fraudulent or illegal acts as described in district handbooks.

**School Response** – Without having a mentor for the director, she was unaware of timecard policies and procedures. Some of the issues regarding unsigned/and or unavailable timesheets is related to the move in buildings, technology problems in the new building which didn't allow documents to be printed and the issue with the administrative specialists' computer being erased. Throughout the year,

the staff hours have been changed to improve the student supervision plan. The hours have been staggered to help cover the school day. The director has allowed flexibility for the administrative specialists' morning arrival time because she often works late. The administrative specialist often does not take time for lunch as she is needed to cover the phones in the office. She can be seen eating lunch at her desk while she is working. She rarely if ever takes her 15 minute break in the morning or afternoon. In addition, she will stay late if there is work to be done. She helps prepare materials for council meetings, parent meetings, etc. The administrative specialist drops her son off at school and may be delayed in traffic which could cause variances in her arrival time. In the future, time sheets will more accurately reflect the arrival time and the director will keep track of reported absences to double check the information on the timesheets submitted. Having the inconsistencies pointed out will ensure that the time sheets are filled out accurately as well as undergo a more thorough review. The time sheets will be collected and reviewed, signed and filed at the end of each pay period.

**Internal Audit Comment** – Response unacceptable. Please refer to the Director of Human Resources regarding federal and state requirements for hours worked and breaks.

During the review, Internal Audit observed situations between 8:30 and 8:50 a.m. when the students report to class in which there was an obvious need for assistance from the administrative specialist. Many of the essential functions listed in the administrative specialist's job duties as approved by Human Resources would be impossible to perform without being available prior to the start of school. Other individuals such as teachers and other office staff were forced to ignore their normal job functions and fill in during the absence of the administrative specialist in the mornings.

In addition, all timesheets submitted for the administrative specialist and approved by the director, report a lunch break taken of ½ hour each day. Based on the response provided by the School, timesheets are reporting incorrect hours for lunch breaks.

#### **H. Other Items**

The following conditions were noted during the review:

- (1) The administrative specialist informed Internal Audit that she regularly takes boxes of records home; however, she was unable to provide details of the records which are removed from the school. At the time of review by Internal Audit, the director was unable to provide a list of which items are removed from the school by the administrative specialist.

**Recommendation** – Records should not be allowed to be removed from the school. If an employee needs to put in extra hours in order to accomplish required work, the employee should request comp time approval in advance and perform additional work at the school. An individual may copy their timesheets from prior pay periods that have already been processed by payroll, leaving all original records at the school. All adjustments to timesheets from prior pay periods which have already been processed should be discussed with the immediate supervisor before recording adjustments on records. If a timesheet requires adjustment, a copy should be made of the original timesheet, the changes should be indicated on the copy, and the employee and director should sign and date it. The copy should be marked "revised" and attached to the original in the file. If the timesheet revisions require changes to the payroll report, the same process should be followed and submitted to the Payroll Department.

**School Response** – There is a tremendous amount of work that goes into the development of a school. Forms have to be designed, processes developed, procedures implemented, etc. all in a short amount of time. Training was not always available and because the director and administrative specialist had not done these things before, there was never enough time during the day to get everything accomplished

that needed to be done. The longer school day and school year also was an obstacle to attend any trainings that might have been available. In addition, the position of administrative specialist was part-time when the school opened. As to the issue of working at home, the administrative specialist would sometimes take paperwork home to complete in order to meet district deadlines. She was not always able to complete her work at school because she was supervising in-school suspension, helping with lunch, acting as the nurse, etc., duties not usually associated with those of an administrative specialist. She is a single parent and needed to be home with her son so staying late was not always an option. She would often complete the needed items after he went to bed. Now that we are nearing the end of the first full year of the school, there is less to be developed and due to the audit, improved procedures will be designed and implemented to meet the various suggestions outlined in the document. If people wonder why questions weren't asked in advance, it is difficult to predict needed information on policies and procedures when you don't know what you don't know. After something was completed for the first time, the business and finance department would then give suggestions for improvement. In order to keep things running, various staff members would help with different duties in the school just to get them done. We are now aware of the issues and will make adjustments in our policies and procedures as needed to meet the requirements outlined in the audit.

As stated earlier, neither the administrative specialist nor the director had any training from the human relations department prior to the start-up of the school. The only training the administrative specialist received from the business and finance department was in using the IFAS system. No additional training was offered between the ending of the first school year and the beginning of the next. Throughout the year, suggestions were made once something was completed for the first time. There is much to be learned from the start-up of the Charter School. First of all, it is different from anything that has been done by the Des Moines district in the past. Unlike other start-ups, the charter school was to be autonomous from the district. No one knew quite what that meant. In the future, the district should clearly outline the duties, policies and procedures to be followed and provide the necessary training for school personnel. Had this happened, most of these issues outlined in the report would have been prevented.

**Internal Audit Comment** – The job description for the administrative specialist requires basic accounting and bookkeeping skills; three years of secretarial and or administrative assistant experience; and the ability to organize, prioritize, and function under pressure and deadlines. Adjusting the requirements of a position to meet an employee's personal life or lack of experience and skills is not acceptable when the routine business operations and the duties of other staff of the Charter School are affected.

#### **Final Conclusion:**

The review was conducted in order to determine whether the Charter School is in compliance with applicable policies and procedures and to determine whether internal controls have been established and were operating effectively. Internal Audit identified several internal controls and operating efficiencies that need strengthening to ensure compliance with applicable laws, rules, regulations, policies and/or procedures. These matters have been communicated to the director and other members of management.

The director should ensure policies and procedures are developed and implemented which will provide more accurate reporting. Staff should attend training sessions which are offered, and utilize all available resources when questions or problems arise, including contacting the business office and working with the advisory council.



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Internal Audit has determined that the Charter School has implemented recommendations from the report issued on March 2, 2012. The Charter School technology specialist has developed draft policies and procedures for monitoring and using technology assets and agreements for students to sign when they are allowed to take computers off school grounds. The technology specialist performs a weekly physical inventory count of all technology assets. During the physical inventory count, the technology specialist has the teachers sign the count sheet to indicate they agree with the record of inventory included in their classrooms. A reconciliation between Charter School inventory records and district inventory records was performed during the internal audit review in February. The technology specialist has demonstrated efforts are being made to utilize available resources in an effort to recover missing laptops. It appears all recommendations in the audit report issued by Internal Audit on March 2, 2012, are being implemented at the Charter School.

\* \* \* \* \*

cc:     Audit Committee  
          DMPS Board of Directors  
          Mr. Thomas Ahart, Interim Superintendent  
          Mr. Thomas Harper, Chief Financial Officer  
          Mr. Kevin Baccam, Controller  
          Mr. Scott Mikesh, Executive Director, Human Resources  
          Ms. Mary Bryant, Hiring Specialist  
          Ms. Patricia Lantz, General Counsel  
          Ms. Emily Truitt, School Liaison  
          Ms. Senta Hawkins, Chair of Charter School Advisory Council  
          Ms. Annette Campbell, Iowa State Auditor's Office

## Exhibits

Des Moines Public Charter School  
Summary of Findings  
For the Period October 1, 2010, through April 5, 2012

| Description                                 | Exhibit /<br>Page Number | Amount   | Total      |
|---|--------------------------|----------|------------|
| <b>Improper Disbursements:</b>              |                          |          |            |
| Subway                                      | Page 9                   | \$ 12.40 |            |
| Office Depot                                | Page 9                   | 1.79     |            |
| Barnes and Noble                            | Page 10                  | 1.23     |            |
| Wal-Mart                                    | Page 11                  | 42.15    |            |
| Total Improper Disbursements                |                          |          | \$ 57.57   |
| <b>Undeposited Collection:</b>              |                          |          |            |
| Receipt # 425158                            | Page 3                   |          | \$ 36.00   |
| <b>Assets Unaccounted For:</b>              |                          |          |            |
| Uniforms, Potential Revenue                 | Exhibit B                |          | \$ 741.00  |
| Subtotal                                    |                          |          | \$ 834.57  |
| <b>Less Reimbursements:</b>                 |                          |          |            |
| Subway, Deposited on April 16, 2012         |                          | \$ 12.40 |            |
| Wal-Mart, Deposited on May 16, 2012         |                          | 42.15    |            |
| Receipt # 425158, Deposited on May 16, 2012 |                          | 36.00    |            |
| Total Reimbursements                        |                          |          | \$ (90.55) |
| Total                                       |                          |          | \$ 744.02  |

# Exhibit B

## Des Moines Public Charter School Uniform Inventory For the Period October 1, 2010, through April 12, 2012

|  | T-Shirts | Sweatshirts | Short-Sleeved<br>Polos | Long-Sleeved<br>Polos | Total      |
|--|----------|-------------|------------------------|-----------------------|------------|
| Beginning Inventory per Vendor Invoices      | 374      | 402         | 432                    | 432                   | 1,640      |
| Less: ① Free – Prior Year Students           | 0        | 107         | 107                    | 107                   | 321        |
| ② Free – Current Year Students               | 160      | 160         | 160                    | 160                   | 640        |
| ③ Free – Prior Year Staff                    | 0        | 8           | 8                      | 8                     | 24         |
| ③ Free – Current Year Staff                  | 0        | 10          | 10                     | 10                    | 30         |
| ④ On-Hand – Cabinet 1 (Main Office)          | 13       | 18          | 14                     | 35                    | 80         |
| ④ On-Hand – Cabinet 2 (Director's Office)    | 82       | 29          | 30                     | 73                    | 214        |
| Items Sold per Internal Audit Calculation    | 119      | 70          | 103                    | 39                    | 331        |
| ⑤ Sales Amount per Unit (Average)            | \$6.00   | \$16.50     | \$14.00                | \$15.00               |            |
| Sales Revenue per Internal Audit Calculation | \$714.00 | \$1,155.00  | \$1,442.00             | \$585.00              | \$3,896.00 |

|  |             |   |
|--|-------------|---|
| Total Sales Revenue per Internal Audit Calculation | \$ 3,896.00 |   |
| Amount of Revenue Recorded (FY11 & FY12)           | 3,155.00    | ⑥ |
| Unrecorded Sales as Calculated by Internal Audit   | \$ 741.00   | ⑦ |

### Explanations:

- ① Determined based on enrollment report from Infinite Campus for each school year. Includes every student enrolled regardless of number of days.
- ② Determined based on enrollment report from Infinite Campus for each school year. Includes every student enrolled regardless of number of days. Number Includes 28 returning students from previous year.
- ③ Estimate developed by Internal Audit based on number of teachers and staff for each school year.
- ④ Number obtained from physical count of inventory performed by internal auditor.
- ⑤ Average sale price calculated by Internal Audit for youth and adult shirts. Actual prices are shown on page 7 of the audit report.
- ⑥ Amount is all inclusive of uniform, planner, and ID replacement sales. Internal Audit was unable to isolate the revenue from the sale of uniforms due to the lack of available supporting documentation; therefore, unable to determine if additional amounts are unrecorded.
- ⑦ Actual amount may differ. This is a minimum estimate due to lack of available records and support. If the amount recorded for planners and IDs could be determined and deducted from the total revenue recorded, the unrecorded uniform sales of \$741 would increase by that amount.

# Appendices

## CHAPTER 256F

## CHARTER SCHOOLS AND INNOVATION ZONE SCHOOLS

|       |                                 |        |  |
|-------|---------------------------------|--------|--|
| 256F1 | Authorization and purpose.      | 256F8  | Procedures for revocation or nonrenewal of contract. |
| 256F2 | Definitions.                    | 256F9  | Procedures after revocation — student enrollment.    |
| 256F3 | Application.                    | 256F10 | Reports.   |
| 256F4 | General operating requirements. | 256F11 | Future repeal. Repealed by 2010 Acts, ch 1001, §23.  |
| 256F5 | Application — definition.       |        |  |
| 256F6 | Contract.                       |        |  |
| 256F7 | Employment and related matters. |        |  |

**256F1 Authorization and purpose.**

1. Charter schools and innovation zone schools shall be part of the state's program of public education.

2. A charter school may be established by creating a new school within an existing public school or converting an existing public school to charter status.

3. The purpose of a charter school or an innovation zone school established pursuant to this chapter shall be to accomplish the following:

- a. Improve student learning.
- b. Increase learning opportunities for students.
- c. Encourage the use of different and innovative methods of teaching.
- d. Require the measurement of learning outcomes and create different and innovative forms of measuring outcomes.
- e. Establish new forms of accountability for schools.
- f. Create new professional opportunities for teachers and other educators, including the opportunity to be responsible for the learning program at the school site.
- g. Create different organizational structures for continuous learner progress.
- h. Allow greater flexibility to meet the education needs of a diverse and constantly changing student population.
- i. Allow for the allocation of resources in innovative ways through implementation of specialized school budgets for the benefit of the schools served.

4. An innovation zone school may be established pursuant to this chapter to encourage diverse approaches to learning and education within individual schools.

2002 Acts, ch 1124, §1, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §2 – 5

**256F2 Definitions.**

As used in this chapter, unless the context otherwise requires:

1. "Advisory council" means a council appointed by the school board of directors of a charter school or an innovation zone consortium pursuant to section 256F5, subsection 4.

2. "Area education agency board" means the board of directors of an area education agency established pursuant to chapter 273.

3. "Attendance center" means a public school building that contains classrooms used for instructional purposes for elementary, middle, or secondary school students.

4. "Charter school" means a charter school established in accordance with this chapter.

5. "Department" means the department of education.

6. "Innovation zone consortium" means a consortium of two or more school districts and an area education agency in which one or more of the school districts is located, that receives approval to establish an innovation zone school pursuant to this chapter. In addition, the innovation zone consortium may receive technical assistance from an accredited higher education institution.

7. "Innovation zone school" means a public school administered by a principal that is, pursuant to an innovation zone school contract entered into by an innovation zone consortium pursuant to section 256F6, established as an innovation zone school.

8. "School board" means a board of directors regularly elected by the registered voters of a school district.

9. "State board" means the state board of education.

2002 Acts, ch 1124, §2, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §6 - 9; 2010 Acts, ch 1069, §32

### 256F3 Application.

1. The state board of education shall apply for a federal grant under Pub. L. No. 107-110, cited as the federal No Child Left Behind Act of 2001, Tit. V, pt. B, subpt. 1, for purposes of providing financial assistance for the planning, program design, and initial implementation of public charter schools. The department shall monitor the effectiveness of charter schools and innovation zone schools and shall implement the applicable provisions of this chapter.

2. a. To receive approval to establish a charter school in accordance with this chapter, the principal, teachers, or parents or guardians of students at an existing public school shall submit an application to the school board to convert an existing attendance center to a charter school. An attendance center shall not enter into a charter school contract with a school district under this chapter unless the attendance center is located within the school district. The application shall demonstrate the support of at least fifty percent of the teachers employed at the school on the date of the submission of the application and fifty percent of the parents or guardians voting whose children are enrolled at the school, provided that a majority of the parents or guardians eligible to vote participate in the ballot process, according to procedures established by rules of the state board.

b. To receive approval to establish an innovation zone school in accordance with this chapter, an innovation zone consortium shall submit an application to the state board which demonstrates the support of at least fifty percent of the teachers employed at each proposed innovation zone school on the date of the submission of the application and fifty percent of the parents or guardians voting whose children are enrolled at each proposed innovation zone school, provided that a majority of the parents or guardians eligible to vote participate in the ballot process, according to procedures established by rules of the state board.

c. A parent or guardian voting in accordance with this subsection must be a resident of this state.

3. A school board shall receive and review all applications for converting an existing building or creating a new building for a charter school. Applications received on or before October 1 of a calendar year shall be considered for charter schools to be established at the beginning of the school district's next school year or at a time agreed to by the applicant and the school board. However, a school board may receive and consider applications after October 1 at its discretion.

4. A school board shall by a majority vote approve or deny an application relating to a charter school no later than sixty calendar days after the application is received. An application approved by a school board and subsequently approved by the state board pursuant to subsection 6 shall constitute, at a minimum, an agreement between the school board and the charter school for the operation of the charter school. A school board that denies an application for a conversion to a charter school shall provide notice of denial to the applicant in writing within thirty days after board action. The notice shall specify the exact reasons for denial and provide documentation supporting those reasons.

5. An applicant may appeal school board denial of the applicant's charter school application to the state board in accordance with the procedures set forth in chapter 290. The state board shall affirm, modify, or reverse the school board's decision on the basis of the information provided in the application indicating the ability and willingness of the proposed charter school to meet the requirements of section 256F1, subsection 3, and section 256F4.

6. Upon approval of an application for the proposed establishment of a charter school, the school board shall submit an application for approval to establish the charter school to the state board in accordance with section 256F5.

7. An application submitted to the state board pursuant to subsection 2, paragraph "b", or subsection 6 shall set forth the manner in which the charter school or innovation zone school will provide special instruction, in accordance with section 280.4, to students who are limited English proficient. The application shall set forth the manner in which the charter school or innovation zone school will comply with federal and state laws and regulations relating

to the federal National School Lunch Act and the federal Child Nutrition Act of 1966, 42 U.S.C. § 1751–1785, and chapter 283A. The state board shall approve only those applications that meet the requirements specified in section 256F.1, subsection 3, and sections 256F.4 and 256F.5. The state board may deny an application if the state board deems that approval of the application is not in the best interest of the affected students.

8. The state board shall approve not more than ten innovation zone consortium applications.

9. The state board shall adopt rules in accordance with chapter 17A for the implementation of this chapter. If federal rules or regulations relating to the distribution or utilization of federal funds allocated to the department pursuant to this section are adopted that are inconsistent with the provisions of this chapter, the state board shall adopt rules to comply with the requirements of the federal rules or regulations. The state board shall identify inconsistencies between federal and state rules and regulations as provided in this subsection and shall submit recommendations for legislative action to the chairpersons and ranking members of the senate and house standing committees on education at the next meeting of the general assembly.

2002 Acts, ch 1124, §3, 16; 2003 Acts, ch 79, §1, 7, 8; 2006 Acts, ch 1152, §7, 17; 2010 Acts, ch 1001, §10; 2010 Acts, ch 1061, §180; 2010 Acts, ch 1193, §45

**256F4 General operating requirements.**

1. Within fifteen days after approval of a charter school or innovation zone school application submitted in accordance with section 256F.3, subsection 2, a school board or innovation zone consortium shall report to the department the name of the charter school applicant if applicable, the proposed charter school or innovation zone school location, and the charter school or innovation zone school's projected enrollment.

2. Although a charter school or innovation zone school may elect to comply with one or more provisions of statute or administrative rule, a charter school or innovation zone school is exempt from all statutes and rules applicable to a school, a school board, or a school district, except that the charter school or innovation zone school shall do all of the following:

a. Meet all applicable federal, state, and local health and safety requirements and laws prohibiting discrimination on the basis of race, creed, color, sex, sexual orientation, gender identity, national origin, religion, ancestry, or disability. A charter school or innovation zone school shall be subject to any court-ordered desegregation plan in effect for the school district at the time the charter school or innovation zone school application is approved.

b. Operate as a nonsectarian, nonreligious public school.

c. Be free of tuition and application fees to Iowa resident students between the ages of five and twenty-one years.

d. Be subject to and comply with chapters 216 and 216A relating to civil and human rights.

e. Provide special education services in accordance with chapter 256B.

f. Be subject to the same financial audits, audit procedures, and audit requirements as a school district. The audit shall be consistent with the requirements of sections 11.6, 11.14, 11.19, 256.9, subsection 20, and section 279.29, except to the extent deviations are necessary because of the program at the school. The department, the auditor of state, or the legislative services agency may conduct financial, program, or compliance audits.

g. Be subject to and comply with chapter 284 relating to the student achievement and teacher quality program. A charter school or innovation zone school that complies with chapter 284 shall receive state moneys or be eligible to receive state moneys calculated as provided in section 257.10, subsections 9 and 10, and section 257.37A as if it did not operate under a charter school or innovation zone school contract.

h. Be subject to and comply with chapters 20 and 279 relating to contracts with and discharge of teachers and administrators.

i. Be subject to and comply with the provisions of chapter 285 relating to the transportation of students.

j. Meetings and records of the advisory council are subject to the provisions of chapters 21 and 22.

3. A charter school or innovation zone school shall not discriminate in its student



admissions policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, or status as a person with a disability. However, a charter school or innovation zone school may limit admission to students who are within a particular range of ages or grade levels or on any other basis that would be legal if initiated by a school district. Enrollment priority shall be given to the siblings of students enrolled in a charter school or innovation zone school.

4. A charter school or innovation zone school shall enroll an eligible resident student who submits a timely application unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, students must be accepted by lot. A charter school or innovation zone school may enroll an eligible nonresident student who submits a timely application in accordance with the student admission policy established pursuant to section 256F5, subsection 1. If the charter school or innovation zone school enrolls an eligible nonresident student, the charter school or innovation zone school shall notify the school district of residence and the sending district not later than March 1 of the preceding school year. Transportation for the student shall be in accordance with section 282.18, subsection 10. The sending district shall make payments to the charter school or innovation zone consortium in the manner required under section 282.18, subsection 7. If the nonresident pupil is also an eligible pupil under section 261E.6, the innovation zone consortium shall pay the tuition reimbursement amount to an eligible postsecondary institution as provided in section 261E.7.

5. A charter school or innovation zone school shall provide instruction for at least the number of days required by section 279.10, subsection 1, or shall provide at least the equivalent number of total hours.

6. Notwithstanding subsection 2, a charter school or innovation zone school shall meet the requirements of section 256.7, subsection 21.

7. a. A charter school shall be considered a part of the school district in which it is located for purposes of state school foundation aid pursuant to chapter 257.

b. Students enrolled in an innovation zone school shall be counted, for state school foundation aid purposes, in the student's district of residence.

8. A charter school or innovation zone consortium may enter into contracts in accordance with chapter 26.

2002 Acts, ch 1124, §4, 16; 2002 Acts, ch 1175, §81; 2003 Acts, ch 35, §46, 49; 2003 Acts, ch 79, §2, 7, 8; 2006 Acts, ch 1185, §127; 2010 Acts, ch 1001, §11 – 14

**256F5 Application — definition.**

An application to the state board for the approval of a charter school or innovation zone school shall include but shall not be limited to a description of the following:

1. The method for admission to the charter school or innovation zone school.
2. The mission, purpose, innovation, and specialized focus of the charter school or innovation zone school.
3. Performance goals and objectives in addition to those required under section 256.7, subsection 21, by which the school's student achievement shall be judged, the measures to be used to assess progress, and the current baseline status with respect to the goals.
4. The method for appointing or forming an advisory council for the charter school or innovation zone school. The membership of an advisory council appointed or formed in accordance with this chapter shall not include more than one member of a participating school board.
5. Procedures for teacher evaluation and professional development for teachers and administrators.
6. The charter school or innovation zone school governance and bylaws.
7. The financial plan for the operation of the charter school or innovation zone school including, at a minimum, a listing of the support services the school district or innovation zone consortium will provide, and the charter school or innovation zone school's revenues, budgets, and expenditures.
8. The educational program and curriculum, instructional methodology, and services to be offered to students.

9. The number and qualifications of teachers and administrators to be employed.
  10. The organization of the charter school or innovation zone school in terms of ages of students or grades to be taught along with an estimate of the total enrollment of the charter school or innovation zone school.
  11. The provision of school facilities.
  12. A statement indicating how the charter school or innovation zone school will meet the requirements of section 256F1, as applicable; section 256F4, subsection 2, paragraph "a"; and section 256F4, subsection 3.
  13. Assurance of the assumption of liability by the charter school or the innovation zone consortium for the innovation zone school.
  14. The types and amounts of insurance coverage to be obtained by the charter school or innovation zone consortium for the innovation zone school.
  15. A plan of operation to be implemented if the charter school or innovation zone consortium revokes or fails to renew its contract.
  16. The means, costs, and plan for providing transportation for students enrolled in the charter school or innovation zone school.
  17. The specific statutes, administrative rules, and school board policies with which the charter school or innovation zone school does not intend to comply.
- 2002 Acts, ch 1124, §5, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §15, 16; 2011 Acts, ch 34, §65
- [T] Subsection 10 amended

**256F6 Contract.**

1. a. An approved charter school or innovation zone school application shall constitute an agreement, the terms of which shall, at a minimum, be the terms of a four-year enforceable, renewable contract between a school board, or the boards participating in an innovation zone consortium, and the state board. The contract shall include an operating agreement for the operation of the charter school or innovation zone school. The terms of the contract may be revised at any time with the approval of both the state board and the school board or the boards participating in the innovation zone consortium, whether or not the stated provisions of the contract are being fulfilled.
  - b. A contract may be renewed by agreement of the school board or the boards participating in an innovation zone consortium, as applicable, and the state board.
  - c. The charter school or innovation zone consortium shall provide parents and guardians of students enrolled in the charter school or innovation zone school with a copy of the charter school or innovation zone school application approved pursuant to section 256F5.
  2. The contract shall outline the reasons for revocation or nonrenewal of the charter.
  3. The state board of education shall provide by rule for the ongoing review of each party's compliance with a contract entered into in accordance with this chapter.
- 2002 Acts, ch 1124, §6, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §17; 2010 Acts, ch 1193, §46

**256F7 Employment and related matters.**

1. A charter school or the boards participating in an innovation zone consortium shall employ or contract with necessary teachers and administrators, as defined in section 272.1, who hold a valid license with an endorsement for the type of service for which the teacher or administrator is employed.
  2. The school board or innovation zone consortium, as specified in the application, in consultation with the advisory council, shall decide matters related to the operation of the charter school or innovation zone school, including budgeting, curriculum, and operating procedures.
  3. a. Employees of a charter school shall be considered employees of the school district.
  - b. Employees of an innovation zone school shall be considered employees of a board participating in the innovation zone consortium.
- 2002 Acts, ch 1124, §7, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §18

**256F8 Procedures for revocation or nonrenewal of contract.**

1. A contract for the establishment of a charter school or innovation zone school may be revoked by the state board, the school board that established the charter school, or the innovation zone consortium that established the innovation zone school if the appropriate board or consortium determines that one or more of the following occurred:

a. Failure of the charter school or innovation zone school to abide by and meet the provisions set forth in the contract, including educational goals.

b. Failure of the charter school or innovation zone school to comply with all applicable law.

c. Failure of the charter school or innovation zone school to meet generally accepted public sector accounting principles.

d. The existence of one or more other grounds for revocation as specified in the contract.

e. Assessment of student progress, which is administered in accordance with state and locally determined indicators established pursuant to rules adopted by the state board, does not show improvement in student progress over that which existed in the same student population prior to the establishment of the charter school or the innovation zone school.

2. The decision by a school board or an innovation zone consortium to revoke or to fail to take action to renew a charter school or innovation zone school contract is subject to appeal under procedures set forth in chapter 290.

3. A school board or a board participating in an innovation zone consortium that is considering revocation or nonrenewal of a charter school or innovation zone school contract shall notify the advisory council, the parents or guardians of the students enrolled in the charter school or innovation zone school, and the teachers and administrators employed by the charter school or innovation zone school, sixty days prior to revoking or the date by which the contract must be renewed, but not later than the last day of classes in the school year.

4. If the state board determines that a charter school or innovation zone school is in substantial violation of the terms of the contract, the state board shall notify the school board or innovation zone consortium and the advisory council of its intention to revoke the contract at least sixty days prior to revoking a contract and the school board or the school boards participating in the innovation zone consortium shall assume oversight authority, operational authority, or both oversight and operational authority. The notice shall state the grounds for the proposed action in writing and in reasonable detail. The school board or innovation zone consortium may request in writing an informal hearing before the state board within fourteen days of receiving notice of revocation of the contract. Upon receiving a timely written request for a hearing, the state board shall give reasonable notice to the school board or innovation zone consortium of the hearing date. The state board shall conduct an informal hearing before taking final action. Final action to revoke a contract shall be taken in a manner least disruptive to students enrolled in the charter school or innovation zone school. The state board shall take final action to revoke or approve continuation of a contract by the last day of classes in the school year. If the final action to revoke a contract under this section occurs prior to the last day of classes in the school year, a charter school or innovation zone school student may enroll in the resident district.

5. The decision of the state board to revoke a contract under this section is solely within the discretion of the state board and is final.

6. A school board revoking a contract or a school board, innovation zone consortium, or advisory council that fails to renew a contract under this chapter is not liable for that action to the charter school or innovation zone school, a student enrolled in the charter school or innovation zone school or the student's parent or guardian, or any other person.

2002 Acts, ch 1124, §8, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §19, 20

**256F9 Procedures after revocation — student enrollment.**

If a charter school or innovation zone school contract is revoked in accordance with this chapter, a nonresident student who attended the school, and any siblings of the student, shall be determined to have shown "good cause" as provided in section 282.18, subsection 4, paragraph "b", and may submit an application to another school district according to section 282.18 at any time. Applications and notices required by section 282.18 shall be processed

and provided in a prompt manner. The application and notice deadlines in section 282.18 do not apply to a nonresident student application under these circumstances.

2002 Acts, ch 1124, §9, 16; 2003 Acts, ch 79, §7, 8; 2009 Acts, ch 133, §234; 2010 Acts, ch 1001, §21

**256F.10 Reports.**

1. A charter school or innovation zone school shall report at least annually to the school board or innovation zone consortium, advisory council, and the state board the information required by the school board or innovation zone consortium, advisory council, or the state board. The reports are public records subject to chapter 22.

2. Not later than December 1 annually, the state board shall submit a comprehensive report with findings and recommendations to the general assembly. The report shall evaluate the state's charter school and innovation zone school programs generally, including but not limited to an evaluation of whether the charter schools and innovation zone schools are fulfilling the purposes set forth in section 256F.4, subsection 2. The report also shall contain, for each charter school or innovation zone school, a copy of the charter school or innovation zone school's mission statement, attendance statistics and dropout rate, aggregate assessment test scores, projections of financial stability, the number and qualifications of teachers and administrators, and number of and comments on supervisory visits by the department of education.

2002 Acts, ch 1124, §10, 16; 2003 Acts, ch 79, §7, 8; 2010 Acts, ch 1001, §22

**256F.11 Future repeal.** Repealed by 2010 Acts, ch 1001, § 23.